



WHERE DIGITALISATION MEETS SUSTAINABILITY



PROJECT PARTNER





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Hapag-Lloyd's Head of Procurement, **Daniel Braune**, and Director of Procurement Excellence, **Julia Finning**, discuss the role of digitalisation in striving for the industry-leading procurement function.

Hapag-Lloyd is a world-leading liner shipping company, with around 13,900 employees and 418 offices in 137 countries. Headquartered in Hamburg, Germany, Daniel Braune is Head of Procurement and Julia Finning is Director of Procurement Excellence. ▶

“Professional Supplier Management
is of utmost importance for our
ambition of being the #1 for Quality
in the industry”

Daniel Braune, Head of Procurement





What Daniel believes makes procurement at Hapag-Lloyd unique is that it has a feel of being a start-up company within Hapag-Lloyd. He says, “We have driven so many changes during my five years at Hapag-Lloyd and yet we still have so much ahead of us, so it has the feel of a start-up.”

How does Global Procurement contribute to Hapag-Lloyd’s overall strategy? Daniel says you must first consider what quality means for a shipping line. He continues, “Supplier reliability has a massive influence on our Quality Promises.”

Daniel talks about two types of business within Hapag-Lloyd – merchant haulage business (port to port) and carrier haulage business (door to door). The latter involves a large network of suppliers, and all of these need to be managed. Daniel explains, “It could be that our vessel is punctual, but we cannot rely on our truckers to be on time in a certain country. The entire supply chain from customer to destination involves a number of different suppliers that all need to function and be extremely transparent. This is where supplier management plays a huge role.”

Julia and her team started to reassess all supplier management related activities on a global scale back in 2020, and planned carefully for a new blueprint. Considering state-of-the-art approaches and incorporating them into a comprehensive whole, the entire supplier lifecycle systematic was set up to gain sustainable achievements and full transparency along the supply chain.

She explains, “When onboarding suppliers, you want to have transparency of the basic data, the security that they comply with your rules and standards, and, of course, the code of conduct. Then the journey of supplier relationship management usually begins. To achieve a clear 360-degree view of our suppliers, we also continually keep track of them to ensure we are working with highly qualified suppliers, which match our high



quality requirements and targets. We diagnose what has gone wrong in the past and identify the issues that we might face going forward. Of course, we are running supplier benchmarking exercises across our organisation as well. However, we need real-time updates to rate

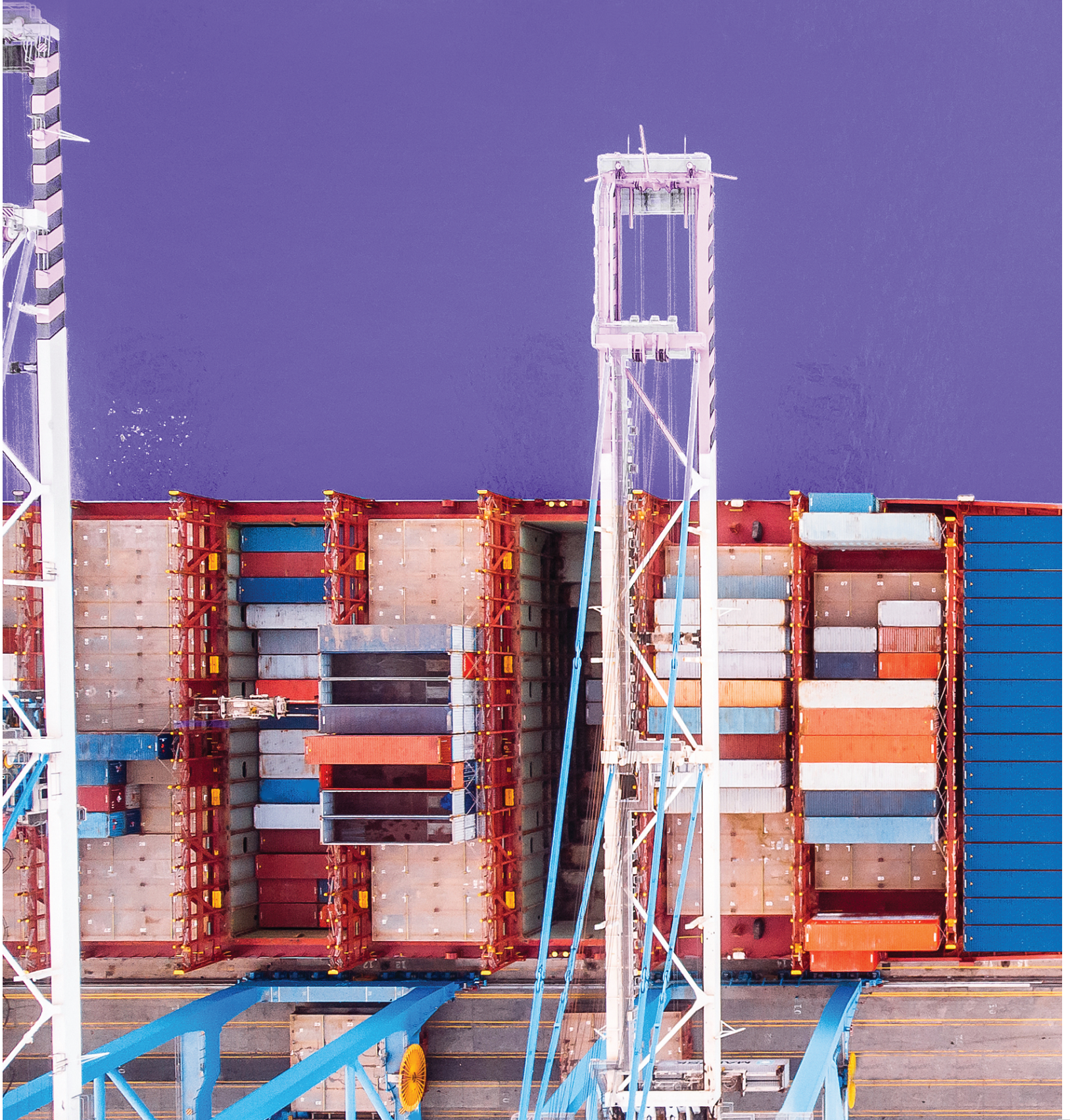
their performance. An annual performance score is not sufficient anymore.”

Daniel adds that the sheer complexity of a supply chain, or tender involving many cost factors such as performance and risk,

“Sustainability is in the genes of the company. For us, it means more than just complying with the law”



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"Craft doesn't just focus on financials or operating metrics, but a broad set of data that has been invaluable for us in minimizing and mitigating risk much earlier in the process." -Ingmar Mester, Supplier Management

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makes it very difficult to manage. You need the right digital tools to have a 360-degree total cost approach, especially when it comes to quality. Daniel says, “If you want to go from A to B with a 360-degree approach, you have to master many different factors, which is difficult. With risk, for example, we have been working on a complete risk management system because a container can be worth millions of dollars. The last thing we want is one of our transport suppliers to go bankrupt.

hence human rights have always been a very important topic for Hapag-Lloyd, but we are still working on our risk analysis and documentation obligations involving a cross-functional approach with our compliance and sustainability colleagues. In terms of risk analysis (incl. red flag screenings and 360-degree scorings, prevention measures, and corrective actions), we are currently deciding on the right digitisation approach to comply with this legislation in the future.”

“At Hapag-Lloyd Procurement, we pursue a start-up culture. The agile way of working helps us to implement good ideas straightforwardly, rather than just talking about them”

Julia Finning, Director of Procurement Excellence

The consequences arising out of bankruptcy are disrupted supply chains and retained containers with our customers’ goods. You do not want to be liable for that risk.”

The German government plans to introduce the Supply Chain Due Diligence Act, effective from January 1st, 2023, towards which Daniel, Julia and their teams have been working hard. Julia says, “We are, in general, very well prepared for the future requirements,

Daniel says sustainability is a big part of the Supply Chain Due Diligence Act, but the company is not just taking action as a result of these new rules. He adds, “Sustainability is in the genes of the company. For us, it means more than just complying with the law. We want to have the right suppliers in place in order to reach our ambitious goals. The shipping industry has massive improvement potentials in terms of sustainability, and I think we are on the right



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track. It is what the customer wants.”

Digitalisation in procurement is playing a key role in enabling Hapag-Lloyd to fulfil not only new legal requirements, partnering with Craft to gain full supplier transparency. Julia explains, “When we started the supplier management journey, we asked how we can bring more transparency into our supply chain. There are plenty of tools on the market, but we chose Craft because it provides an easy-to-use supplier intelligence portal. In procurement, you want to know as much as possible about your business partners. The tool gives full profiles of our suppliers, with daily alerts, and it is always learning what is important for us as a company. The alerts are categorised by topic and are both positive and negative, pulling everything from newspaper articles to social media posts, to provide us with all the information we need. This gives us quantitative, objective KPIs for each of the suppliers to ensure that there is no bias in the ratings.”

Daniel adds, “We want to choose partners that fit not only with our requirements, but also with the ethos of Hapag-Lloyd. Craft showed huge experience in

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growing as a company and in developing their functionality. We have been very happy to work with them, helping to develop their tool even further.”

Julia believes it is essential to be able to develop any tool in this way. She continues, “It is a lot about continuous development. Once you use the tool, you might discover that further enhancements are necessary. At Hapag-Lloyd, we have a product-centric IT organisation and an agile product development approach, therefore we prefer partners which comply with our way of working. This is made possible by Craft. And if further enhancements make sense



to us, they will make sense to other customers as well. There are promising possibilities to develop this tool in the future and prepare for potential challenges.”

The Covid-19 pandemic was one such challenge that shook the entire supply chain industry. Daniel remembers, “We saw huge disruption of supply chains around the world. We underwent many challenges, from shortages and huge demand, to extremely long waiting times of vessels outside the ports. We could not predict something like this would happen, but we were able to tackle the challenges by having improved the

visibility and transparency of our supply chain.”

Daniel feels that being agile has been one of the keys to Hapag-Lloyd’s success. He continues, “As a company, being extremely agile is of utmost importance. Before Covid, the next days were a bit more predictable. Then the entire market turned around. Volumes were shrinking at the start of the pandemic, then six months later, it turned around 180 degrees. We faced huge demand and supply challenges everywhere in the world. So, in two or three years, we have seen three completely different markets. A tender strategy you did

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Daniel Braune, Head of Procurement

a year ago will not work anymore. The pandemic has shown us that we need to be extremely agile.”

As for Hapag-Lloyd’s digital roadmap for the future, where to begin? Daniel says, “We have started so many projects. One direction in which we are heading is e-procurement on both the operational and strategic side. We dream of one complete, automatic solution, connected to the different systems in place. In addition, we are talking about the advancement of technologies to prepare tenders, dashboards, linear performance forecasting etc. There is no complete solution out there.”

Julia adds, “At Hapag-Lloyd Procurement, we pursue a start-up culture. The agile way of working helps us to implement good ideas straightforwardly, rather than just talking about them. Even when problems arise, we can always cope with them at short notice. Take, for example, our procurement suite that is causing challenges when it comes

to handling our massive amount of data. Logistics tenders are unique, or rather highly complex, especially when it comes to the analysis of possible awarding scenarios. The moment we recognised that we won’t achieve sufficient results with our current tool, we were able to adjust, and started a proof of concept to test an alternative application. The speed of implementation and good collaboration with our IT colleagues are our key to success. We will definitely benefit from that for our future procurement applications.”

The sustainability topic has huge relevance in ensuring the company is doing the right thing for the future. Daniel concludes, “We really want to take positive steps to help the environment. Decarbonisation is one of our main targets in the years to come. We believe in it, and we are all super-motivated to be working on it.”

For further information, visit www.hapag-lloyd.com



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